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TO: ALL COMMISSION MEMBERS

FROM: Jamie H. Eads, Division of Incentives & Development

DATE: May 11, 2011

SUBJ: Recommended changes to the 810 KAR 1:070 which have been approved by the Kentucky Breeders Incentive Fund Advisory Committee

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Over the last eight months, the Kentucky Breeders Incentive Fund (the "KBIF") Advisory Committee (the "Advisory Committee") met numerous times to review 810 KAR 1:070, which governs the KBIF. The committee was formed by Chairman Beck to review the mission of the fund and confirm that the current regulation supports the KBIF's statutory purpose of supporting the horse industry in Kentucky through rewards for breeders of horses bred and foaled in Kentucky.

#### Advisory Committee Members:

Headley Bell, Mill Ridge Farm	Frank Jones, Commissioner
Lori Chappell, Three Chimneys Farm	Matt Koch, Shawhan Place
David Hager, Idle Hour Farm	John Phillips, Darby Dan Farm
Wade Houston, Commissioner	Robert Trussell, Walmac Farm
Neil Howard, Gainesway Farm	

#### Advisory Committee meeting dates:

October 21, 2010	March 22, 2011
November 22, 2010	April 19, 2011
January 25, 2010	May 10, 2011

All Advisory Committee meetings were open to the public and advance notices were posted pursuant to Kentucky's Open Meetings Act, KRS 61.800 *et seq.* Participants in some or all of the meetings included:

Senator Damon Thayer  
Adena Springs Farm  
Ellis Park  
Kentucky Thoroughbred Association-Kentucky Thoroughbred Owners  
Association  
Media: Blood Horse, Lexington Herald Leader, Louisville Courier Journal,  
Thoroughbred Times.

The Advisory Committee considered the following information prior to approving recommended changes to 810 KAR 1:070:

- Comments provided by Senator Damon Thayer. Senator Thayer was instrumental in passing the KBIF legislation in 2005.
- Comments provided by participants/breeders in the KBIF.
- Statistical data provided by the KTA-KTOB and Equibase indicating that 70-80% of horses foaled in Kentucky are exported and may never race in Kentucky. The current regulation allocates higher awards for horses racing in Kentucky.
- Research on other state-breeder incentive funds, including Florida, California, Indiana, New York, Ontario and Pennsylvania.
- Competitive disadvantages facing the KBIF in comparison to other state bred programs.
- The need for boarding farms and the KBIF staff to be able to easily communicate and market the KBIF.
- Research on where Kentucky-bred horses are racing and winning and the need to promote and reward quality breeding in Kentucky through breeders awards earned on races throughout the world.
- The Committee reached a consensus that there should be no discrepancy between awards for Kentucky races versus outside of Kentucky.

Based on its analysis of the above information, the Advisory Committee recommends the following changes to 810 KAR 1:070.

**1. Agent Form Requirement, as it relates to nominations:**

**Current language:**

810 KAR 1:070 section 4 (7):

A breeder may appoint an authorized agent by completing and filing with the Authority a "Kentucky Thoroughbred Breeders' Incentive Fund Authorized Agent Form"

**Recommendation:**



To remove the above language from 810 KAR 1:070, section 4.

2. **Fee structure:**

**Current language:**

Nominated during the cover year by 8/1 (\$60)

Nominated 8/2 of cover year – December 31 of weanling year (\$750)

Nominated 1/1-12/31 of yearling year (\$1,500)

**Recommendation:**

Nominated during the cover year by 8/15 (\$60)

Nominated 8/16 of cover year – December 31 of cover year (\$150)

Nominated January 1—December 31 of weanling year (\$750)

Nominated January 1—December 31 of yearling year (\$1,500)

3. **Reduce Kentucky Derby & Oaks component:**

**Current language:**

Breeders receive \$100,000 from fund for winning Kentucky Oaks and Derby.

People affected: Since the inception of the KBIF, 2 breeders each year have been awarded the Derby/Oaks award.

**Recommendation:**

Reduce the amount allotted to Derby & Oaks to \$50,000 each. This is a flat rate award that will not be subject to a reduction or bonus depending on budget.

4. **Remove age restrictions on MSW, ALW & AOC outside Kentucky:**

**Current language:** 10% of the winner's portion of the purse is paid to 2, 3 & 4 year-olds winning a MSW, ALW or AOC (no tag) outside Kentucky.

**Recommendation:** Remove age limitations on races in USA, but outside Kentucky, excluding horses foaled 2006 and prior. No horses foaled in 2006 and prior would be eligible to receive awards. In other words, to be eligible to win awards outside Kentucky, the horse will have to be KBIF registered. Foals of 2007 were the first crop to be registered with the KBIF.

This would make 2, 3, 4 & 5 year-olds eligible in 2012, 2,3,4,5 & 6 year-olds eligible in 2013, and so on.

5. **Change allocations on ALW, MSW & AOC (no tag) races won at Kentucky tracks or outside Kentucky but in the USA to an equal amount.**

**Current language:** In Kentucky, the incentive is 25% of the winner's portion of the purse with a maximum of \$10,000/race. Outside Kentucky, but in the U.S.A, the incentive is 10% of the winner's portion of the purse with a maximum of \$10,000/race

**Recommendation:** Change allocations so that an ALW, MSW or AOC (no tag) is eligible for 10% of the winner's portion of the purse with a maximum of \$3,000/race regardless of track location in the U.S.A.

6. **Change allocations on Graded and Group races won at Kentucky tracks or outside Kentucky tracks to an equal amount. Tier the amounts so that a Grade I or Group I award value is higher than a Grade II or III or Group 2 or 3:**

**Current language:** Kentucky GI stakes are eligible for \$25,000. USA GI and Group 1 are eligible for \$2,500-\$5,000 depending the available funds. Kentucky GII & GIII are eligible for 10% of the winners portion of the purse with a max of \$10,000/race. If money remains in the fund, GII & GIII in Kentucky receive the same as a GI in Kentucky. USA GII & GIII and Group 2 & 3 are eligible for \$2,500- \$5,000 if money is available.

**Recommendation:** Change allocations so that a Grade I or Group 1 race receives the same award and a Grade II & III and Group 2 & 3 receive the same award regardless of location. The award per race would be as follows:

Grade I or Group I: \$7,500/race

Grade II, III or Group 2, 3: \$5,000/race

7. **Expand Group I international component:**

**Current language:** Pursuant to 810 KAR 1:070 section 6, Group 1, 2 & 3 races in Canada, England, France & Ireland are eligible if funding is available after awards have been paid in section 3. The races are eligible for a minimum payment of \$750 and a maximum of \$5,000.

**Recommendation:** Include winners of Group 1 races during the Dubai World Cup, Hong Kong International Day & Japan Cup.

8. **Include Stakes races outside Kentucky, but in the U.S.A. Allocate the same amount to stakes races, regardless of track location:**



**Current language:** Currently, there is no component for stakes races outside Kentucky, but in the USA. Stakes races in Kentucky are eligible for 25% of the winner's portion of the purse with a maximum of \$10,000/race.

**Recommendation:** Award stakes races 10% of the winner's portion of the purse with a maximum of \$4,000/race. The KBIF will use The Jockey Club race type of STK to indicate a stakes race.

**9. Include Woodbine race track in the U.S.A. component of eligible races.**

**Current language:** Woodbine falls under the international component, awarding Group 1, 2 & 3 wins \$2,500-\$5,000 as funding allows. Woodbine is located in Ontario, Canada.

**Recommendation:** Woodbine would receive the same allocations as any other track in the USA.

Group 1 = \$7,500/race

Group 2 & 3 = \$5,000/race

Stakes = 10% of winner's share; \$4,000 max/race. [TJC = STK]

ALW, MSW, AOC (no tag) = 10% of winner's share; \$3,000 max/race.

**10. Kentucky Claiming Component:**

**Current language:** Breeder of the leading claimer horse by earnings at CD, EP, KEE & TP each receive \$25,000 and the overall top 3 finishers by earnings at CD, EP, KD, KEE & TP split \$100,000 with 50% to first place, 30% to second and 20% to third. Total money allotted: \$200,000. Number of people affected: 4-6.

**Recommendation:** Award breeders of the top 20 horses with the most claiming wins in Kentucky each year, using earnings to settle any ties. Should two horses have the same number of wins and same total earnings, the awards will be divided between those horses in the same manner purse money is divided for a dead-heat in racing. Horses earning money through the ALW & MSW Kentucky component during the same calendar year will not be eligible for the Claiming Component. Total money allotted: \$200,000. This is a flat rate award that will not be subject to a reduction or bonus depending on budget.

Number of people affected: up to 20. Distribution of funds:

1. \$20,000	4. \$12,500
2. \$17,500	5. \$12,000
3. \$15,000	6. \$11,500

7. \$11,000	15. \$7,000
8. \$10,500	16. \$6,500
9. \$10,000	17. \$6,000
10. \$9,500	18. \$6,000
11. \$9,000	19. \$6,000
12. \$8,500	20. \$6,000
13. \$8,000	
14. \$7,500	

**11. Reserve account and funding:**

**Current language:** The reserve account shall not exceed more than \$5,000,000. If at the close of a calendar year, the funding is in excess of the amount necessary to fund 810 KAR 1:070 and the reserve account has \$5,000,000, bonus money is applied to award earners. The bonus percent is determined by dividing the total dollars allocated by the amount awarded to Kentucky races and then the total dollars allocated by the amount awarded outside Kentucky. The resulting percentages are applied to each award according to race track location. If at the close of a calendar year, the funding is inadequate to pay 810 KAR 1:070, section 3, the awards are reduced as follows: ALW, MSW & AOC (no tag) are reduced in Kentucky to no less than 20% and in the USA. to no less than 8%, Grade I outside Kentucky are reduced by 50%, Kentucky Claiming Component is reduced by 50%, all national races are reduced as needed until funding is adequate.

**Recommendation:** The reserve account shall remain the same with a maximum amount of \$5,000,000. If at the close of a calendar year, the funding is in excess of the amount necessary to award the breeders, the remaining funds are allocated equally among total wins, excluding the Kentucky Claiming component, Kentucky Derby component and Kentucky Oaks component. If at the close of a calendar year, the funding is inadequate to pay the awards, all wins—excluding Kentucky Claiming component and Kentucky Derby component and Kentucky Oaks component—are decreased equally until funding is adequate.

Approval for the above 11 changes to 810 KAR 1:070 is recommended.

**COMMISSION ACTION:**

\_\_\_\_\_ Approved  
\_\_\_\_\_ Deferred  
\_\_\_\_\_ Denied